

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 92 - SB 281

March 17, 2013

SUMMARY OF BILL: Authorizes local jurisdictions to opt out of all standards established by the State Fire Marshall (SFM) upon a two-thirds vote of the local legislative body and adopt building and residential codes that vary to address specific local conditions and concerns. Declares that any adopted building codes need not be as stringent as the standards established by the state. Extends, from 180 days to two years, the length of time a resolution exempting a local jurisdiction from SFM standards may remain valid.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent a local government jurisdiction elects to adopt alternative building and residential codes, and International Standards Organization (ISO) ratings are reduced, there will be an increase in local government expenditures of an unknown amount. Any such increase in local government expenditures is considered permissive due to the election decision by the local governing body. Otherwise, the fiscal impact of this bill is estimated to be not significant.


Assumptions:

- Any vote required of the local legislative body can be accomplished at a regularly-scheduled meeting; therefore, no additional local government cost.
- According to the Department of Commerce and Insurance (C&I), this bill will require the Department to hold at least two rulemaking hearings to revise rules. Any cost associated with holding additional rulemaking hearings can be accommodated within existing resources without an increased appropriation or reduced reversion.
- According to C&I, currently there are 78 jurisdictions that have opted out of state building codes relative to one- and two-family dwelling units. It is estimated that the number of jurisdictions adopting new local codes will increase as a result of this bill; however, the extent of such increase is unknown. An increasing number of jurisdictions adopting new local codes will cause an increased workload for the Audit Division of the Department. According to the Department, it is unknown if the additional workload would require new positions. For the purpose of this fiscal note, it is assumed the Department could handle the additional workload within existing resources without an increased appropriation or a reduced reversion.

- According to C&I, local jurisdictions electing to adopt and enforce their own local codes will have expenses for administering a code enforcement program. Given the local codes need not be as stringent as current state codes, any increased expenditures are considered permissive and not significant.
- Any additional local revenue due to violations of newly-adopted local codes is estimated to be not significant.
- According to C&I and County Technical Assistance Service (CTAS), the International Standards Organization (ISO) ratings are based on the quality of fire protection and enforcement of building codes. If a jurisdiction adopts or enforces a new local code that is older than five years from the most recently issued code, the ISO rating will be decreased. Reduced ISO ratings result in higher insurance premiums.
- Due to multiple unknown factors, including but not limited to, the number of jurisdictions who will opt out of all standards established by the SFM, the extent of local codes that will be adopted, the resulting ISO rating in response to the newly-adopted local codes, and how any lowered ISO rating will impact local expenditures, a precise impact to state and local government cannot be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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